



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 184** SLS 10RS 446
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 28, 2010 12:05 PM	Author: GAUTREAUX, N.
Dept./Agy.: Natural Resources	
Subject: Mineral Resources Operation Fund	Analyst: Stephanie C. Blanchard

NATURAL RESOURCES DEPT EG DECREASE GF RV See Note Page 1 of 1
Provides relative to the disposition of certain funds payable to the state as the lessor of certain mineral leases. (8/15/10)

Present law provides for the payment of bonuses, rentals, royalties, shut-in payments, or other sums payable to the state as a lessor under the terms of valid existing mineral leases entered into by the state and under the supervision of the State Mineral Board. Present law also establishes the Mineral and Energy Operation Fund various fees and up to \$1.6 million per year from judgments and settlements received by the office of mineral resources.

Proposed law provides that of revenues received in each fiscal year by the state through judgments or settlements, even if a civil action is not commenced, resulting from underpayment to the state of severance taxes, royalty payments, bonus payments, rentals, shut-in payments or other sums payable to the state as lessor under the terms of a valid mineral lease, an amount equal to the actual costs expended from the Mineral Resources Operation Fund and any attorney fees incurred will be deposited into the Mineral Resources Operation Fund (renamed the Mineral and Energy Operation Fund).

EXPENDITURES	2010-11	2011-12	2012-13	2013-14	2014-15	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2010-11	2011-12	2012-13	2013-14	2014-15	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The bill appears to provide an additional dedication to the Mineral and Energy Operation Fund of an amount sufficient to reimburse the Fund for actual costs expended and any attorney fees incurred by the Fund. The Department of Natural Resources (DNR) appears to interpret the bill as reimbursing the Fund for expenses related to outside legal counsel involving royalty claims, and provided some recent history as to those expenses, as follows:

FY 2006-07 \$124,762
FY 2007-08 \$125,545 (of this amount \$38,941 was for a case that did not involve royalty claims)
FY 2008-09 \$341,892 (of this amount \$253,447 was for a case that did not involve royalty claims)

The average amount of expenses involving outside counsel and royalty claims from the last three fiscal years is slightly under \$100,000. The bill would dedicate as reimbursement to the Mineral and Energy Operation Fund these expenses, and a like amount of revenue diversion from the state general fund would occur.

However, the language of the bill indicates that actual costs expended from the Fund and any attorney fees incurred are eligible for reimbursement from the judgments or settlements resulting from underpayments of severance taxes, bonus payments, rentals, shut-in payments, or other sums payable under the terms of a mineral lease. Thus, implementation of this bill may result in the dedication of more state general fund revenue than suggested by only the outside legal expenses involving royalty claims submitted by DNR. If a broader application of the bill occurs, the average expenses are over \$197,000 per year, and even this only reflects outside legal counsel expenses.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost		<input checked="" type="checkbox"/> 6.8(F) >= \$100,000 Annual SGF Cost	Gregory V. Albrecht Chief Economist
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease	